

International Accounting Standards Board
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

Stockholm 12 March 2025

Dear Mr. Barckow,

Re: ED Provisions – Targeted Improvements – Proposed amendments to IAS 37

The Swedish Corporate Reporting Board is responding to your invitation to comment on the *Exposure Draft – Provisions – Targeted Improvements Proposed amendments to IAS 37*.

We appreciate the project initiative behind the ED and support updating the standard with the new definition of a liability. We are generally supportive of the measures taken to address some of the current application challenges regarding the current recognition criteria in IAS 37. The proposed amendments to the past event obligation, having a direct impact on when and how provisions for example for levies and climate related obligations should be recognized is an appreciated first step of arriving at financial statements providing more useful information in this matter than under the existing standard. Consequently, we are generally supportive of the outcomes presented in the different illustrative examples.

However, we are concerned that the past event recognition criteria in many circumstances will be difficult to apply in practice. We think that minor changes to the fact patterns set out in the illustrative examples could result in very different accounting outcomes. Therefore, we recommend the IASB to:

- include refinements to the illustrative examples explaining how these changes impact the accounting outcome,
- reconsider some of the proposed amendments to make sure that the revised recognition criteria result in the intended outcome when applied on other fact patterns and
- carry out additional outreach activities before finalizing the amendments to IAS 37.



Finally, we support the clarification that the discount rate/-s should exclude the entity's own credit risk and the principle-based guidance on what costs that should be included when measuring a provision.

Our reflections and comments on the content of the ED follow below.

Present obligation recognition criterion

We are in general supportive of the definition of a present obligation and when a provision should be recognised. However, we are hesitant to some of the details proposed and are concerned that they will not be workable in practice. Our main concerns are further elaborated below:

- Paragraph 14O is not workable in isolation and needs further detailing, especially as paragraph 14O is clarified in paragraphs 14P, 14Q and 14R. As we understand, the proposed past event condition is fulfilled regardless of whether the obligation as such relate to the present or future reporting periods or the “obligating event” has occurred. Therefore, the IASB need to further explain how these paragraphs interacts with each other, whether any takes precedence over another and, if so, when. We think different accounting outcome for similar fact patterns may be reached based on how you apply these paragraphs. Below some examples illustrating this:
 - o It is not uncommon for levies to be based on previous periods or an average of previous periods even though they may relate to the present or future periods. E.g. assume an extreme case in which a levy is based on the earnings year X-10. Given the going concern assumption introduced, the ED implies that a provision should be made for that levy for 10 years into the future, given a going concern assumption since the past-event condition is fulfilled for ten years of levies even though the levies as such relate to future periods.
 - o Property tax is another example (IG13C). In Sweden property tax is payable by the owner of the property at the beginning of the year. Assume that the basis for the property tax is a percentage of rental income the last two years. Then the accumulation period would be the last two years and the property tax would be recognised at the beginning of the year. Instead, if the accumulation period would be a percentage of rental income the coming two years, the property tax would accumulate during the coming two years.
 - o Since levies are non-reciprocal transactions and the basis used to calculate the levy may be totally disconnected from the time period a legislator consider that the levy refers to, another solution is needed to achieve an accumulation of levies to the proper time periods.



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- We do not believe it is workable to define a legal obligation as “the other party has a legal right to act against the entity”
 - o One of the starting points in a court case may be for the court to decide if the other party has that right or not, waiting for that court decision may unduly delay the recognition of a provision
- We do not consider that “significantly worse” is workable in cases in which there is a liability, but it is equally obligating to discharge or not discharge that liability (e.g. a parking ticket is at the same amount as paying for parking).

Measurement – Expenditure required to settle an obligation

We support the principle-based approach to define the expenditure required to settle an obligation and believe it is workable in practice.

Discount rates

We support defining the discount rate(-s) as a pre-tax rate that excludes the entity's own credit risk.

Disclosure requirements

Even though the disclosure requirements in substance are unchanged, we want to highlight that the nature of some obligations are such that it is not reasonable to require disclosures about the timing of transfers of economic resources. Examples are portfolios of issued guarantees with remote risk of individually resulting in an outflow of economic resources and some court cases.

Transition requirements

We agree with the transition requirements.

Other comments

The ED sometimes uses “transfer” of economic resources and sometimes “exchange” of economic resources”. The terms are also used in other standards and there is a risk that they are used differently in IAS 37. If using both terms, they should be clearly defined to avoid unintended consequences in other standards.

The Swedish Corporate Reporting Board

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If you have any questions concerning our comments, please address our Executive member Fredrik Walméus by e-mail to: fredrik.walmeus@radetforrapportering.se.

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Yours sincerely

Peter Nyllinge
Chairman of the Board

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